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THE BILLION-DOLLAR MYSTERY

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Now pending in the Supreme Court of the state of New York is a most unusual and little publicized lawsuit whose by-products overshadow its initial and private purposes. It lifts the lid on the \$2 billion in hard American cash that has been funneled into Iran since World War II. This article reports the substance of the testimony, exhibits and evidence which have been spread on the public record in the course of this proceeding. The interest of the suit lies not in the fact that certain payments have been made to certain named individuals—for which there could be and doubtless are entirely plausible and satisfactory explanations—but rather in raising the question whether the enormous amount of foreign aid received by Iran from the United States has resulted in improving the socio-economic condition of the people of Iran or whether it has created in reverse a form of Iranian aid program to certain selected Iranians and Americans—Editors

I.

The winter palace of Shah Mohammed Reza Pahlavi had settled to sleep in the early morning of February 6, 1962, when the agents of the Khaibar Khan went to work. A batch of checks, drawn in the administrative offices of Iran on the late afternoon of February 5, had been delivered to the Imperial Palace in Teheran, had been signed and had been deposited in a safe waiting for distribution to happy recipients. The agents of the Khaibar Khan, who had infiltrated the palace of the Shah, wanted to get copies of those checks, if only to document further what had been revealed by their previous espionage—that literally millions of dollars of American economic aid had been diverted into the private pockets of the Shah, his family and his Iranian, American and British associates.

Ian Fleming in his most inventive moments never concocted a James Bond thriller to surpass the real-life drama that was taking place in the palace of the Shah of Iran on this early February morning in 1962. It was the climax of a labyrinthine trail, splashed with murder, emblazoned by the double-cross, mired in greed. On the one side was the ruthless imperial power of the Shah; on the other, the rebellious fervor of Iranian tribes dispossessed of their lands, their oil, their revenues by the Pahlavi family, its palace guard and its American-equipped army.

The action pivots about two principal protagonists, Shah Mohammed Reza Pahlavi and the Khaibar Khan.

Who is the Khaibar Khan? He is a dapper Iranian exile, now living in a plush New York apartment; a champion golfer; one of the world's best-dressed men (at least before a fire, believed to have been set by Iranian agents, burned him out of an earlier New York home with the loss of a 392-suit wardrobe); and, above all, the chief of the Bakhtiari tribe of southern Iran. The Khaibar Khan is also honorary chairman of United Patriots for Justice, a coalition representing approximately 5 million members of the tribes that originally held title to the oil-rich lands of southern Iran. In this capacity, before the United Nations and other forums, he keeps tilting lances at his implacable enemy—the Shah.

Shah Mohammed Reza Pahlavi, a courtly appearing ruler best known to readers of the tabloids as former husband of the beautiful Princess Soraya, is the son of King Reza Pahlavi, who began life as a stable boy and later served as a private in the Cossack army. Mastering the art of soldiering, he rose by intrigue and the manipulation of power to the point where he could seize control of the army and seat himself upon the throne. Hardly had he done so when, in 1932, he turned covetous eyes on southern Iran where the Khans of the ruling tribes had made their separate deals with foreign oil com-

panies, and were waxing rich on oil bounties. Reza Pahlavi marched in with an army and proclaimed that henceforth the oil revenues would be the property of the central government. The Khaibar Khan's father, Hadji Khan, did not take kindly to this edict. He and some of the other Khans protested—and were promptly hanged. After that, oil revenues from southern Iran went into the pocket of the king.

Reza Pahlavi ruled seventeen years before making the mistake that cost him his throne. Deluded by German successes in the early days of World War II, he committed the diplomatic blunder of letting it be widely known that his sympathies were with the Axis powers. The British could not afford to let the bountiful oil production of Iran fall into enemy hands, and marched in with an army. American forces later joined in the occupation. Reza Pahlavi was compelled to abdicate; but, in a relatively painless performance, he was allowed to assign his title, the vast estates he had seized and the fortune he had accumulated to his son, the present Shah.

Roosevelt's Vision

From the first, the Allies—and especially the Americans—seem to have been beguiled by the idea that backward, poverty-stricken, but oil-rich Iran could be turned into a modern state, a show place of the Western world. They envisioned Shah Mohammed Reza Pahlavi as the kind of constitutional, monarchical figurehead who could be used as an attractive front man in bringing the blessings of democracy and the benefits of Western-style capitalism to the dominions of ancient Persia.

The concept had its genesis in a memorandum that President Franklin D. Roosevelt, in the afterglow of the Teheran conference, dispatched to Secretary of State Cordell Hull on January 12, 1944:

Iran is definitely a very backward nation. It consists really of a series of tribes, and 99 per cent of